

CITY OF LAGO VISTA, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2017

CITY OF LAGO VISTA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report .....	1
	Management's Discussion and Analysis .....	3
	 <u>Basic Financial Statements</u>	
	<b>Government Wide Statements:</b>	
A-1	Statement of Net Position .....	9
B-1	Statement of Activities .....	11
	<b>Governmental Fund Financial Statements:</b>	
C-1	Balance Sheet .....	13
C-2	Reconciliation for C-1 .....	15
C-3	Statement of Revenues, Expenditures and Changes in Fund Balance .....	16
C-4	Reconciliation for C-3 .....	18
	<b>Proprietary Fund Financial Statements:</b>	
D-1	Statement of Net Position .....	19
D-2	Statement of Revenues, Expenses and Changes in Fund Net Position .....	21
D-3	Statement of Cash Flows .....	24
	<b>Fiduciary Funds:</b>	
E-1	Statement of Fiduciary Net Position .....	26
	Notes to the Financial Statements .....	27
	 <u>Required Supplementary Information</u>	
G-1	Budgetary Comparison Schedule - General Fund .....	47
G-2	Schedule of Changes in Net Pension Liability and Related Ratios .....	49
G-3	Schedule of Employer Contributions .....	50
	Notes to the Schedule of Contributions .....	51

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Mayor and  
Members of the City Council  
City of Lago Vista, Texas  
Lago Vista, TX 78645

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lago Vista, Texas, as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 3–8, 47, 49, 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink that reads "Neffendorf + Knopp, PC". The signature is written in a cursive, flowing style.

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

April 30, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lago Vista, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2017. Please read it in conjunction with the independent auditors' report (an unqualified opinion) on page 1, and City's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,745,124 (net position). Of this amount, the unrestricted net position was \$(24,566,240). The large negative balance in the unrestricted net position of the governmental activities is due to recording of the long-term debt as required by GASB #34. The assets are reflected in the business type activities while the long-term debt is shown in the governmental activities (financed by property taxes).
- The City's net position increased by \$709,251 as a result of this year's operations.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$10,380,616, an increase of \$6,586,204 in comparison with the prior year.
- At September 30, 2017, the City's Enterprise Funds reported unrestricted net position of \$2,895,644, an increase of \$1,623,052 in comparison with the prior year.
- The City issued \$7,725,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 dated March 16, 2017 to pay for various projects. The City issued \$5,685,000 General Obligation Refunding Bonds, Series 2016A and Series 2016B to refund Limited Tax Note, Series 2015 and Limited Tax Note, Taxable Series 2015.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 11).

These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions and the Notes to the Schedule of Contributions are presented as required supplementary information on page 47 through 51.

## **Reporting the City as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity - The City's water and sewer system and golf courses are reported as business-type activities since the fees charged to customers cover the cost of services provided.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water and Sewer and Golf Courses) is a business-type activity and provides both long and short-term financial information.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the City's governmental activities decreased from \$(5,520,995) to \$(6,434,796). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$(27,461,884), at September 30, 2017. This decrease in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by \$6,586,204. Second, the City acquired capital assets in the amount of \$683,530 and paid principal on long-term debt of \$7,069,417. Third, the City recorded depreciation in the amounts of \$883,252. Fourth the City issued \$7,725,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 and \$5,685,000 General Obligation Refunding Bonds, Series 2016A and 2016B and fifth, due to implementation of GASB Statement No. 68 an increase in expenditures was necessary in the amount of \$4,940.

Net position of the City's business-type activities increased from \$58,556,868 to \$60,179,920. Unrestricted net position was \$2,895,644. This increase in business-type net position was the result of net income of \$1,623,052.

**Table I**  
**City of Lago Vista**

### NET POSITION in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 3,739	\$ 3,612	\$ 3,379	\$ 4,840	\$ 7,118	\$ 8,452
Capital Assets	20,936	21,136	56,782	56,216	77,718	77,352
Restricted Assets	8,005	1,541	1,321	771	9,326	2,312
Intangible Asset	260	276			260	276
Total Assets	\$ 32,940	\$ 26,565	\$ 61,482	\$ 61,827	\$ 94,422	\$ 88,392
Deferred Outflows of Resources						
Deferred Charge for Refunding	\$ 341	\$ 297			\$ 341	\$ 297
Deferred Outflow Related to Pension	433	489	313	354	746	
Total Deferred Outflows of Resources	\$ 774	\$ 786	\$ 313	\$ 354	\$ 1,087	\$ 297
Current and Long-Term Debt	\$ 39,207	\$ 32,040	\$ 687	\$ 598	\$ 39,894	\$ 32,638
Other Liabilities	906	783	917	3,010	1,823	3,793
Total Liabilities	\$ 40,113	\$ 32,823	\$ 1,604	\$ 3,608	\$ 41,717	\$ 36,431
Deferred Inflow of Resources						
Unavailable Revenue - Property Taxes	\$ 20	\$ 26			\$ 20	\$ 26
Deferred Resource Inflow Related to Pension	15	24	11	17	26	
Total Deferred Inflows of Resources	\$ 35	\$ 50	\$ 11	\$ 17	\$ 46	\$ 26
Net Position:						
Net Investment in						
Capital Assets	\$ 20,567	\$ 21,136	\$ 55,963	\$ 55,877	\$ 76,530	\$ 77,013
Restricted	460	407	1,321	771	1,781	1,178
Unrestricted	(27,462)	(27,064)	2,896	1,909	(24,566)	(25,155)
Total Net Position	\$ (6,435)	\$ (5,521)	\$ 60,180	\$ 58,557	\$ 53,745	\$ 53,036

**Table II**  
**City of Lago Vista**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Charges for Services	\$ 1,081	\$ 1,006	\$ 7,256	\$ 6,301	\$ 8,337	\$ 7,307
Grants & Contributions	57	262			57	262
Property Tax	4,846	4,468			4,846	4,468
Sales Tax	443	414			443	414
Franchise Tax	419	286			419	286
Hotel/Motel Tax	117	101			117	101
Interest Income	91	27	11	4	102	31
Miscellaneous	217	32	504	449	721	481
<b>Total Revenue</b>	<b>\$ 7,271</b>	<b>\$ 6,596</b>	<b>\$ 7,771</b>	<b>\$ 6,754</b>	<b>\$ 15,042</b>	<b>\$ 13,350</b>
<b>Expenses:</b>						
General Government	\$ 1,669	\$ 1,432	\$	\$	\$ 1,669	\$ 1,432
Public Safety	2,446	2,301			2,446	2,301
Community Development	2,287	2,154			2,287	2,154
Debt Service & Interest	1,435	1,067	28	8	1,463	1,075
Water			1,971	1,633	1,971	1,633
Wastewater			1,173	1,172	1,173	1,172
Recreation			1,652	1,650	1,652	1,650
Information Technology			471	197	471	
Capital Outlay	1,245	6,190			1,245	6,190
Depreciation			1,355	1,250	1,355	1,250
<b>Total Expenses</b>	<b>\$ 9,082</b>	<b>\$ 13,144</b>	<b>\$ 6,650</b>	<b>\$ 5,910</b>	<b>\$ 15,732</b>	<b>\$ 18,857</b>
<b>Increase in Net Assets Before</b>						
Transfers & Capital Contributions	\$ (1,811)	\$ (6,548)	\$ 1,121	\$ 844	\$ (690)	\$ (5,704)
<b>Capital Contributions</b>	<b>\$ 154</b>	<b>\$ 658</b>	<b>\$ 1,245</b>	<b>\$ 6,190</b>	<b>\$ 1,399</b>	<b>\$ 6,848</b>
<b>Transfers</b>	<b>\$ 743</b>	<b>\$ 4,556</b>	<b>\$ (743)</b>	<b>\$ (4,556)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 897</b>	<b>\$ 5,214</b>	<b>\$ 502</b>	<b>\$ 1,634</b>	<b>\$ 1,399</b>	<b>\$ 6,848</b>
<b>Net Change</b>	<b>\$ (914)</b>	<b>\$ (1,334)</b>	<b>\$ 1,623</b>	<b>\$ 2,478</b>	<b>\$ 709</b>	<b>\$ 1,144</b>
<b>Net Position, Beginning</b>	<b>\$ (5,521)</b>	<b>\$ (4,187)</b>	<b>\$ 58,557</b>	<b>\$ 56,079</b>	<b>\$ 53,036</b>	<b>\$ 51,892</b>
<b>Prior Period Adjustment</b>						
<b>Net Position, Ending</b>	<b>\$ (6,435)</b>	<b>\$ (5,521)</b>	<b>\$ 60,180</b>	<b>\$ 58,557</b>	<b>\$ 53,745</b>	<b>\$ 53,036</b>

The cost of all governmental activities this year was \$9,082,958. However, as shown in the Statement of Activities on page 11-12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$4,764,227 because the other costs were paid by sales tax (\$443,462), franchise tax (\$418,696), motel and other taxes (\$116,750), user charges (\$1,080,614), grants and contributions (\$211,179), interest on investments (\$91,104) and other miscellaneous (\$218,081).

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13 and 14) reported a combined fund balance of \$10,380,616, which is more than last year's total of \$3,794,412. Included in this year's total change in fund balance is a decrease of \$26,611 in the City's General Fund. The decrease in the General Fund was due to the excess of expenditures over revenues.

The City adopted the General Fund Budget. Actual revenues were more than the budgeted amounts and actual expenditures were less than the budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2017, the City had the following amounts invested in capital assets, net of depreciation:

<b>CAPITAL ASSETS</b> in thousands						
	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,052	\$ 1,052	\$ 3,272	\$ 3,272	\$ 4,324	\$ 4,324
Construction in Progress	770	324	17,370	17,838	18,140	18,162
Buildings & Streets	13,002	12,963	979	957	13,981	13,920
Improvements	8,499	8,499	50,125	48,412	58,625	56,911
Machinery & Equipment	2,391	2,277	4,590	3,910	6,981	6,187
Total Capital Assets	\$ 25,715	\$ 25,115	\$ 76,336	\$ 74,389	\$ 102,051	\$ 99,504
Less: Accumulated Depreciation	(4,779)	(3,979)	(19,554)	(18,172)	(24,332)	(22,151)
Capital Assets, Net	<u>\$ 20,937</u>	<u>\$ 21,136</u>	<u>\$ 56,782</u>	<u>\$ 56,216</u>	<u>\$ 77,719</u>	<u>\$ 77,352</u>

More detailed information about the City's capital assets is presented in Note E and F to the financial statements.



## DEBT

At September 30, 2017, the City had the following outstanding debt:

### OUTSTANDING DEBT in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2017	2016	2017	2016	2017	2016
Bonds Payable	\$ 38,102	\$ 31,118	\$	\$	\$ 38,102	\$ 31,118
Loans Payable	369	275	462	340	831	615
Capital Leases Payable			356		356	-
Deferred Loss on						
Refunding Bonds	(341)	(363)			(341)	(363)
Accrued Compensation	314	291			314	291
Total Outstanding Debt	\$ 38,444	\$ 31,320	\$ 818	\$ 340	\$ 39,262	\$ 31,660

For governmental activities, the City had \$36,771,464 in certificates of obligation and other debt outstanding, an increase of 22.0 percent. The City paid \$7,069,417 in principal on the outstanding long-term debt, issued loans for \$197,288, issued \$7,725,000 in Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 and issued \$5,685,000 in General Obligation Refunding Bonds, Series 2016A and Series 2016B.

For business-type activities, the City had \$461,932 in loans outstanding and \$356,495 in capital leases outstanding. The City paid \$174,606 in principal on the outstanding long-term debt and issued loans for \$218,778.

More detailed information about the City's long-term liabilities is presented in Notes H, I, J and K to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$6,691,756 (including a transfer from the Utility Fund in the amount of \$1,500,000) and expenditures are estimated to be \$6,688,409.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by the close of 2018.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Lago Vista, Lago Vista, Texas.

## BASIC FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 31,298	\$ 687,594	\$ 718,892
Investments - Current	3,843,827	200,914	4,044,741
Accounts Receivable (Net)	915,906	1,148,956	2,064,862
Due from Other Governments	73,609	-	73,609
Due from Other Funds	(1,144,566)	1,144,566	-
Inventories	3,398	184,019	187,417
Prepaid Items	15,641	13,327	28,968
Restricted Assets:			
Restricted Asset - Impact Fees	-	1,320,681	1,320,681
Restricted Asset - Capital Improvements	7,982,892	-	7,982,892
Restricted Asset - Parkland Fees	21,811	-	21,811
Capital Assets:			
Land Purchase and Improvements	1,052,034	3,271,843	4,323,877
Infrastructure, Net	9,415,153	-	9,415,153
Buildings, Net	1,662,035	626,551	2,288,586
Improvements other than Buildings, Net	7,471,026	34,680,790	42,151,816
Furniture and Equipment, Net	565,814	1,051,989	1,617,803
Construction in Progress	770,480	17,150,851	17,921,331
Other Assets	259,936	-	259,936
Total Assets	32,940,294	61,482,081	94,422,375
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Charge for Refunding	341,238	-	341,238
Deferred Outflow Related to Pension Plan	432,664	313,316	745,980
Total Deferred Outflows of Resources	773,902	313,316	1,087,218
<b>LIABILITIES</b>			
Accounts Payable	354,303	55,398	409,701
Wages and Salaries Payable	28,338	62,159	90,497
Compensated Absences Payable	-	154,182	154,182
Intergovernmental Payable	4,931	1,981	6,912
Accrued Interest Payable	281,830	-	281,830
Unearned Revenues	177,394	9,422	186,816
Notes Payable - Current	-	436,607	436,607
Other Current Liabilities	58,867	197,020	255,887
Noncurrent Liabilities:			
Debt Due Within One Year	1,330,860	-	1,330,860
Due in More Than One Year	37,454,343	381,822	37,836,165
Net Pension Liability	422,232	305,754	727,986
Total Liabilities	40,113,098	1,604,345	41,717,443
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	20,522	-	20,522
Deferred Inflow Related to Pension Plan	15,372	11,132	26,504
Total Deferred Inflows of Resources	35,894	11,132	47,026
<b>NET POSITION</b>			
Net Investment in Capital Assets	20,567,048	55,963,595	76,530,643
Restricted for:			

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Restricted for Special Revenue	402,326	-	402,326
Restricted for Retirement of Long-Term Debt	35,903	-	35,903
Restricted for Capital Acquisition & Improvement	-	1,320,681	1,320,681
Restricted for Parkland Fees	21,811	-	21,811
Unrestricted Net Position	(27,461,884)	2,895,644	(24,566,240)
Total Net Position	<u>\$ (6,434,796)</u>	<u>\$ 60,179,920</u>	<u>\$ 53,745,124</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 533,970	\$ 131,385	\$ -	\$ -
Non Departmental	119,884	-	-	-
Development Services	549,082	108,233	-	-
Finance	215,702	-	-	-
Human Resources	106,830	-	-	-
Municipal Court	102,273	92,400	-	-
City Secretary	113,630	-	-	-
Police Department	2,004,307	-	-	9,075
Dispatching	340,475	-	-	-
Public Works Streets	955,377	-	21,000	-
Solid Waste	727,844	748,596	-	-
Building Maintenance	28,659	-	-	-
Recreation	150,744	-	-	-
Aviation	36,851	-	-	144,605
Library	234,440	-	502	-
Parks	119,174	-	-	-
Tourism	63,003	-	-	-
Interest on Debt	1,140,927	-	-	-
Other Debt Service	294,547	-	-	-
Capital Outlay	1,245,239	-	-	-
Total Governmental Activities	9,082,958	1,080,614	21,502	153,680
BUSINESS-TYPE ACTIVITIES:				
Golf Course Fund	1,873,409	456,681	-	16,703
Utility Fund	4,777,036	6,799,805	-	1,228,536
Total Business-Type Activities	6,650,445	7,256,486	-	1,245,239
TOTAL PRIMARY GOVERNMENT	\$ 15,733,403	\$ 8,337,100	\$ 21,502	\$ 1,398,919

General Revenues:

Taxes:

Property Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Franchise Tax

Other Taxes

Penalty and Interest on Taxes

Grants and Contributions Not Restricted

Investment Earnings

Miscellaneous Revenue

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position--Ending

The notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(402,585)	-	(402,585)
(119,884)	-	(119,884)
(440,849)	-	(440,849)
(215,702)	-	(215,702)
(106,830)	-	(106,830)
(9,873)	-	(9,873)
(113,630)	-	(113,630)
(1,995,232)	-	(1,995,232)
(340,475)	-	(340,475)
(934,377)	-	(934,377)
20,752	-	20,752
(28,659)	-	(28,659)
(150,744)	-	(150,744)
107,754	-	107,754
(233,938)	-	(233,938)
(119,174)	-	(119,174)
(63,003)	-	(63,003)
(1,140,927)	-	(1,140,927)
(294,547)	-	(294,547)
(1,245,239)	-	(1,245,239)
(7,827,162)	-	(7,827,162)
-	(1,400,025)	(1,400,025)
-	3,251,305	3,251,305
-	1,851,280	1,851,280
(7,827,162)	1,851,280	(5,975,882)
2,858,537	-	2,858,537
1,905,690	-	1,905,690
443,462	-	443,462
418,696	-	418,696
116,750	-	116,750
81,918	-	81,918
35,997	-	35,997
91,104	10,768	101,872
218,081	504,130	722,211
743,126	(743,126)	-
6,913,361	(228,228)	6,685,133
(913,801)	1,623,052	709,251
(5,520,995)	58,556,868	53,035,873
\$ (6,434,796)	\$ 60,179,920	\$ 53,745,124

CITY OF LAGO VISTA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 31,298	\$ -	\$ -
Investments - Current	3,154,938	114,440	171,049
Accounts Receivable (Net)	523,053	138,022	164,176
Due from Other Governments	73,609	-	-
Due from Other Funds	234,498	-	146,684
Inventories	3,398	-	-
Prepaid Items	15,641	-	-
Restricted Asset - Capital Improvements	-	7,982,892	-
Restricted Asset - Parkland Fees	21,811	-	-
Total Assets	<u>\$ 4,058,246</u>	<u>\$ 8,235,354</u>	<u>\$ 481,909</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 307,819	\$ 39,484	\$ -
Wages and Salaries Payable	28,338	-	-
Intergovernmental Payable	4,931	-	-
Due to Other Funds	29,697	1,458,419	-
Accrued Interest Payable	-	-	281,830
Unearned Revenues	-	177,394	-
Other Current Liabilities	58,867	-	-
Total Liabilities	<u>429,652</u>	<u>1,675,297</u>	<u>281,830</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	246,264	-	164,176
Total Deferred Inflows of Resources	<u>246,264</u>	<u>-</u>	<u>164,176</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted for Tourism	-	-	-
Capital Acquisition and Contractual Obligation	-	6,560,057	-
Retirement of Long-Term Debt	-	-	35,903
Parkland Fees	21,811	-	-
Unassigned Fund Balance	3,360,519	-	-
Total Fund Balances	<u>3,382,330</u>	<u>6,560,057</u>	<u>35,903</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,058,246</u>	<u>\$ 8,235,354</u>	<u>\$ 481,909</u>

The notes to the financial statements are an integral part of this statement.

Hotel Funds	Total Governmental Funds
\$ -	\$ 31,298
403,400	3,843,827
43,558	868,809
-	73,609
-	381,182
-	3,398
-	15,641
-	7,982,892
-	21,811
<u>\$ 446,958</u>	<u>\$ 13,222,467</u>
\$ 7,000	\$ 354,303
-	28,338
-	4,931
37,632	1,525,748
-	281,830
-	177,394
-	58,867
<u>44,632</u>	<u>2,431,411</u>
-	410,440
-	410,440
402,326	402,326
-	6,560,057
-	35,903
-	21,811
-	3,360,519
<u>402,326</u>	<u>10,380,616</u>
<u>\$ 446,958</u>	<u>\$ 13,222,467</u>

CITY OF LAGO VISTA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 10,380,616
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(10,109,046)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.	2,235,420
This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$422,232, a Deferred Resource Outflow of \$432,664 and a Deferred Resource Inflow of \$15,372. The net effect of these was to decrease the ending net position by \$4,940.	(4,940)
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(899,497)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(8,037,349)
<b>Net Position of Governmental Activities</b>	<u>\$ (6,434,796)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 2,929,600	\$ -	\$ 2,016,542
General Sales and Use Taxes	443,462	-	-
Franchise Tax	418,696	-	-
Other Taxes	4,922	-	-
Licenses and Permits	216,466	-	-
Intergovernmental Revenue and Grants	37,160	138,022	-
Charges for Services	771,748	-	-
Fines	92,400	-	-
Investment Earnings	21,582	59,592	5,998
Rents and Royalties	58,435	-	-
Contributions & Donations from Private Sources	35,997	-	-
Other Revenue	71,697	71,604	-
Total Revenues	5,102,165	269,218	2,022,540
EXPENDITURES:			
Current:			
Administration	528,675	-	-
Non Departmental	119,884	-	-
Development Services	551,531	-	-
Finance	207,464	-	-
Human Resources	101,968	-	-
Municipal Court	96,805	-	-
City Secretary	107,945	-	-
Police Department	1,700,002	-	-
Dispatching	328,676	-	-
Public Works Streets	849,265	-	-
Solid Waste	583,340	-	-
Building Maintenance	28,659	-	-
Recreation	120,384	-	-
Aviation	29,535	-	-
Library	182,103	-	-
Culture and Recreation:			
Parks	100,926	-	-
Tourism	-	-	-
Debt Service:			
Principal on Debt	4,930	-	1,284,000
Interest on Debt	673	-	1,193,733
Other Debt Service	-	167,887	126,660
Capital Outlay:			
Capital Outlay	-	1,692,129	-
Total Expenditures	5,642,765	1,860,016	2,604,393
Excess (Deficiency) of Revenues Over (Under)	(540,600)	(1,590,798)	(581,853)
OTHER FINANCING SOURCES (USES):			
Issuance of Bonds	-	7,725,000	5,685,000
Sale of Real and Personal Property	29,207	-	-
Non-Current Loans	197,288	-	-
Transfers In	1,250,000	-	455,632
Premium or Discount on Issuance of Bonds	-	425,855	204,474
Transfers Out (Use)	(962,506)	-	-
Other (Uses)	-	-	(5,763,253)
Total Other Financing Sources (Uses)	513,989	8,150,855	581,853
Net Change in Fund Balances	(26,611)	6,560,057	-
Fund Balance - October 1 (Beginning)	3,408,941	-	35,903
Fund Balance - September 30 (Ending)	\$ 3,382,330	\$ 6,560,057	\$ 35,903

The notes to the financial statements are an integral part of this statement.



Hotel Funds	Total Governmental Funds
\$ -	\$ 4,946,142
-	443,462
-	418,696
111,828	116,750
-	216,466
-	175,182
-	771,748
-	92,400
3,933	91,105
-	58,435
-	35,997
-	143,301
<u>115,761</u>	<u>7,509,684</u>
-	528,675
-	119,884
-	551,531
-	207,464
-	101,968
-	96,805
-	107,945
-	1,700,002
-	328,676
-	849,265
-	583,340
-	28,659
-	120,384
-	29,535
-	182,103
-	100,926
63,003	63,003
-	1,288,930
-	1,194,406
-	294,547
-	<u>1,692,129</u>
<u>63,003</u>	<u>10,170,177</u>
<u>52,758</u>	<u>(2,660,493)</u>
-	13,410,000
-	29,207
-	197,288
-	1,705,632
-	630,329
-	(962,506)
-	<u>(5,763,253)</u>
-	<u>9,246,697</u>
<u>52,758</u>	<u>6,586,204</u>
<u>349,568</u>	<u>3,794,412</u>
<u>\$ 402,326</u>	<u>\$ 10,380,616</u>

CITY OF LAGO VISTA, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 6,586,204</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase the change in net position.	2,235,420
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$183,320 and total debits to expenses were \$297,320. The net effect on the change in net position on Exhibit B-1 is a decrease of \$114,000.	(114,000)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(899,497)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(8,721,928)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (913,801)</b>

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,000	\$ 686,594	\$ 687,594
Investments - Current	-	200,914	200,914
Restricted Assets - Current:			
Restricted Asset - Impact Fees	-	1,320,681	1,320,681
Accounts Receivable (Net)	33,276	1,115,680	1,148,956
Due from Other Funds	-	3,641,853	3,641,853
Inventories	26,203	157,816	184,019
Prepaid Items	5,141	8,186	13,327
Total Current Assets	65,620	7,131,724	7,197,344
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	935,399	2,336,444	3,271,843
Buildings	580,260	405,538	985,798
Accumulated Depreciation - Buildings	(111,499)	(247,748)	(359,247)
Improvements other than Buildings	1,547,151	48,808,268	50,355,419
Accumulated Depreciation - Other Improvements	(432,029)	(15,242,600)	(15,674,629)
Furniture and Equipment	2,086,034	2,503,908	4,589,942
Accumulated Depreciation - Furniture & Equipment	(1,698,786)	(1,839,167)	(3,537,953)
Construction in Progress	38,613	17,112,238	17,150,851
Total Noncurrent Assets	2,945,143	53,836,881	56,782,024
Total Assets	3,010,763	60,968,605	63,979,368
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	104,439	208,877	313,316
Total Deferred Outflows of Resources	104,439	208,877	313,316

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017

Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	72	55,326	55,398
Wages and Salaries Payable	31,053	31,106	62,159
Compensated Absences Payable	45,290	108,892	154,182
Intergovernmental Payable	1,981	-	1,981
Due to Other Funds	2,497,287	-	2,497,287
Unearned Revenues	-	9,422	9,422
Notes Payable - Current	322,526	114,081	436,607
Other Current Liabilities	-	197,020	197,020
Total Current Liabilities	2,898,209	515,847	3,414,056
Noncurrent Liabilities:			
Other Long Term Debt Payable - Noncurrent	33,968	347,854	381,822
Payable from Restricted Assets - Noncurrent:			
Net Pension Liability	101,918	203,836	305,754
Total Noncurrent Liabilities	135,886	551,690	687,576
Total Liabilities	3,034,095	1,067,537	4,101,632
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Resource Inflow Related to Pension Plan	3,711	7,421	11,132
Total Deferred Inflows of Resources	3,711	7,421	11,132
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,588,649	53,374,946	55,963,595
Restricted for Capital Improvements	-	1,320,681	1,320,681
Unrestricted Net Position	(2,511,253)	5,406,897	2,895,644
Total Net Position	\$ 77,396	\$ 60,102,524	\$ 60,179,920

The notes to the financial statements are an integral part of this statement.



CITY OF LAGO VISTA, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D-2 (Cont'd)

Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services Water Services	\$ -	\$ 3,851,382	\$ 3,851,382
Charges for Services Sewerage Service	-	2,948,423	2,948,423
Charges for Services Golf Course	456,681	-	456,681
Rents and Royalties	115,353	-	115,353
Other Revenue	331,431	57,346	388,777
Total Operating Revenues	903,465	6,857,151	7,760,616
<b>OPERATING EXPENSES:</b>			
Utilities Administration			
Personnel Services - Salaries and Wages	-	112,829	112,829
Personnel Services - Employee Benefits	-	49,793	49,793
Purchased Professional & Technical Services	-	11,462	11,462
Purchased Property Services	-	240	240
Other Operating Costs	-	38,242	38,242
Supplies	-	19,952	19,952
Total Utilities Administration	-	232,518	232,518
Water Services			
Personnel Services - Salaries and Wages	-	373,127	373,127
Personnel Services - Employee Benefits	-	169,967	169,967
Purchased Professional & Technical Services	-	52,833	52,833
Purchased Property Services	-	128,479	128,479
Other Operating Costs	-	15,522	15,522
Supplies	-	245,129	245,129
Total Water Services	-	985,057	985,057
Water Plant			
Personnel Services - Salaries and Wages	-	95,071	95,071
Personnel Services - Employee Benefits	-	42,760	42,760
Purchased Professional & Technical Services	-	94,492	94,492
Purchased Property Services	-	69,172	69,172
Other Operating Costs	-	157,745	157,745
Supplies	-	197,965	197,965
Total Water Plant	-	657,205	657,205
Wastewater Services			
Personnel Services - Salaries and Wages	-	121,434	121,434
Personnel Services - Employee Benefits	-	52,680	52,680
Purchased Professional & Technical Services	-	26,067	26,067
Purchased Property Services	-	113,511	113,511
Other Operating Costs	-	4,242	4,242
Supplies	-	121,510	121,510
Total Wastewater Services	-	439,444	439,444
Wastewater Plant			
Personnel Services - Salaries and Wages	-	110,430	110,430
Personnel Services - Employee Benefits	-	42,468	42,468
Purchased Professional & Technical Services	-	45,671	45,671
Purchased Property Services	-	110,885	110,885

The notes to the financial statements are an integral part of this statement.



CITY OF LAGO VISTA, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
Other Operating Costs	-	2,324	2,324
Supplies	-	23,836	23,836
Total Wastewater Plant	-	335,614	335,614
Golf Course			
Personnel Services - Salaries and Wages	642,113	-	642,113
Personnel Services - Employee Benefits	282,882	-	282,882
Purchased Professional & Technical Services	131,887	-	131,887
Purchased Property Services	208,122	-	208,122
Other Operating Costs	77,255	-	77,255
Supplies	309,870	-	309,870
Total Golf Course	1,652,129	-	1,652,129
Effluent Disposal			
Personnel Services - Salaries and Wages	-	117,573	117,573
Personnel Services - Employee Benefits	-	45,368	45,368
Purchased Professional & Technical Services	-	11,182	11,182
Purchased Property Services	-	51,825	51,825
Other Operating Costs	-	188	188
Supplies	-	9,905	9,905
Total Effluent Disposal	-	236,041	236,041
Information Technology			
Personnel Services - Salaries and Wages	-	80,382	80,382
Personnel Services - Employee Benefits	-	22,030	22,030
Purchased Professional & Technical Services	-	7,525	7,525
Purchased Property Services	-	66,807	66,807
Other Operating Costs	-	38,981	38,981
Supplies	-	411	411
Personnel Services - Salaries and Wages	-	17,870	17,870
Personnel Services - Employee Benefits	-	8,685	8,685
Other Operating Costs	-	59,837	59,837
Supplies	-	347	347
Personnel Services - Salaries and Wages	-	17,465	17,465
Personnel Services - Employee Benefits	-	8,428	8,428
Other Operating Costs	-	141,961	141,961
Supplies	-	437	437
Total Information Technology	-	471,166	471,166
Public Works Admin			
Personnel Services - Salaries and Wages	-	77,631	77,631
Personnel Services - Employee Benefits	-	31,162	31,162
Purchased Professional & Technical Services	-	124,857	124,857
Purchased Property Services	-	1,352	1,352
Other Operating Costs	-	21,707	21,707
Supplies	-	2,009	2,009
Total Public Works Admin	-	258,718	258,718
Depreciation	207,828	1,146,962	1,354,790
Total Operating Expenses	1,859,957	4,762,725	6,622,682

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
Operating Income (Loss)	(956,492)	2,094,426	1,137,934
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	-	10,768	10,768
Interest Expense - Non-Operating	(13,452)	(14,311)	(27,763)
Total Nonoperating Revenue (Expenses)	(13,452)	(3,543)	(16,995)
Income (Loss) Before Contributions & Transfers	(969,944)	2,090,883	1,120,939
Capital Contributions	16,703	1,228,536	1,245,239
Non-Operating Transfers In	900,000	-	900,000
Transfers Out (Use)	-	(1,643,126)	(1,643,126)
Change in Net Position	(53,241)	1,676,293	1,623,052
Total Net Position - October 1 (Beginning)	130,637	58,426,231	58,556,868
Total Net Position - September 30 (Ending)	<u>\$ 77,396</u>	<u>\$ 60,102,524</u>	<u>\$ 60,179,920</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D-3 (Cont'd)

	Business-Type Activities		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 456,681	\$ 6,716,133	\$ 7,172,814
Cash Received from Assessments - Other	446,784	57,346	504,130
Cash Payments to Employees for Services	(895,814)	(1,523,427)	(2,419,241)
Cash Payments for Suppliers	(309,870)	(582,644)	(892,514)
Cash Payments for Other Operating Expenses	(484,218)	(3,054,511)	(3,538,729)
Net Cash Provided by (Used for) Operating Activities	(786,437)	1,612,897	826,460
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	900,000	(1,643,126)	(743,126)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(38,610)	(1,447,313)	(1,485,923)
Capital Contributed by Other Funds	16,703	1,228,536	1,245,239
Restricted Assets	-	(549,170)	(549,170)
Loan Proceeds	-	218,778	218,778
Loan Payments	-	(96,402)	(96,402)
Interest Paid	(13,452)	(14,311)	(27,763)
Capital Lease Payments	(78,204)	-	(78,204)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(113,563)	(659,882)	(773,445)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	-	10,768	10,768
Net Increase (Decrease) in Cash and Cash Equivalents	-	(679,343)	(679,343)
Cash and Cash Equivalents at the Beginning of the Year	1,000	1,566,851	1,567,851
Cash and Cash Equivalents at the End of the Year	\$ 1,000	\$ 887,508	\$ 888,508

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D-3

	Business-Type Activities		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss)	\$ (956,492)	\$ 2,094,426	\$ 1,137,934
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	207,828	1,146,962	1,354,790
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	-	(103,942)	(103,942)
Decrease (Increase) in Inventories	6,629	38,987	45,616
Increase (Decrease) in Due To Other Funds	(73,517)	-	(73,517)
Increase (Decrease) in Accounts Payable	(10)	(130)	(140)
Increase (Decrease) in Other Current Liabilities	-	20,270	20,270
Increase (Decrease) in Wages Payable	6,189	11,081	17,270
Increase (Decrease) in Compensated Absences	(4,439)	7,786	3,347
Increase (Decrease) in Pension Liability	27,431	54,859	82,290
Increase (Decrease) in Due from Other Funds	-	(1,657,402)	(1,657,402)
Increase (Decrease) in Intergovernmental Payable	(56)	-	(56)
Net Cash Provided by (Used for)			
Operating Activities	<u>\$ (786,437)</u>	<u>\$ 1,612,897</u>	<u>\$ 826,460</u>

The notes to the financial statements are an integral part of this statement.



CITY OF LAGO VISTA, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2017

	Total Pension Trust Fund
<hr/>	
ASSETS	
Restricted Asset - Deferred Compensation Plan	\$ 744,630
Total Assets	<u>744,630</u>
LIABILITIES	
Due to Others	744,630
Total Liabilities	<u>744,630</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lago Vista, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Lago Vista nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes, franchise taxes and user charges. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989 for its business-type and enterprise fund activities.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.



3. **Capital Projects Fund** - The Capital Projects Fund is used to account for the financial resources used for acquisition of major capital improvements.

Additionally, the City reports the following fund type(s):  
Governmental Funds:

1. **Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Fund:

1. **Enterprise Funds** – The Utility Fund and Golf Course Fund are operated as Enterprise Funds.

E. Other Accounting Policies

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
3. All inventories are valued at cost using the weighted average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
4. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.



Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements	10-30
Equipment	3-10

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

5. Beginning with fiscal year end September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

6. Implementation of new GASB Accounting Standard:  
The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

9. Pensions. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
10. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

## NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2017, the carrying amount of the City's deposits was \$716,742 and the bank balance was \$1,110,185. The City's cash deposits held at Security State Bank at September 30, 2017 and during the year ended September 30, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1)



obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Temporary investments:

	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
LOGIC	\$ 13,370,124	\$ 13,370,124	\$ - 0 -	\$ - 0 -

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

#### Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

**Custodial Credit Risk - Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2017 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

**Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Logic Investment Pool invests only in investments authorized under the Public Funds Investment Act. Logic's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net position value and must take immediate action if the net position value of the portfolio falls below \$.995 or rises above \$1.005.

#### B. Property Taxes

The city levies taxes on real property within the city on October 1 each year which is the lien date. Such taxes become delinquent the following February 1. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Travis County Appraisal District appraises and collects taxes for the city. For the 2016 tax roll, the tax rate was \$.385 for maintenance and operations and \$.265 for interest and sinking. The total tax rate was \$.65 per \$100 valuation and the total property valuation was \$751,057,029.

C. Court Fines and Fees Receivable

In accordance with GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$156,990. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$109,893, resulting in a net receivable of \$47,097.

D. Restricted Assets

Restricted assets represent cash that has been set aside for future payment of revenue bonds and capital improvements. A summary of restricted assets at September 30, 2017 appears below:

<b><i>General Fund-</i></b>	
Park Land Fees	21,811
<b><i>Capital Projects Fund -</i></b>	
Capital Acquisition and Improvement Projects	7,982,892
<b><i>Utility Fund-</i></b>	
Impact Fees	1,320,681
<b><i>Pension Trust Fund-</i></b>	
Deferred Compensation Plan	744,630
Total Restricted Assets	<u>\$ 10,070,014</u>

E. Capital Asset Activity

Changes in Governmental fixed assets during the year ended September 30, 2017 were as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 1,052,035	\$	\$	\$ 1,052,035
Buildings & Streets	12,962,776	39,353		13,002,129
Machinery & Equipment	1,133,731	197,288	(40,000)	1,291,019
Autos & Trucks	1,044,609		(43,079)	1,001,530
Furniture & Fixtures	98,623			98,623
Improvements	8,499,428			8,499,428
Construction in Progress	323,591	446,889		770,480
Totals at Historic Cost	\$ 25,114,793	\$ 683,530	\$ (83,079)	\$ 25,715,244
Less Accumulated Depreciation	(3,978,529)	(883,252)	83,079	(4,778,702)
Governmental Activities				
Capital Assets, Net	<u>\$ 21,136,264</u>	<u>\$ (199,722)</u>	<u>\$ -</u>	<u>\$ 20,936,542</u>



F. Property, Plant and Equipment

Capital asset activity for the Enterprise Funds for the year ended September 30, 2017, was as follows:

	Balance 10/01/16	Additions	Deletions	Balance 09/30/17
Land	\$ 3,271,843	\$	\$	\$ 3,271,843
Buildings	956,789	21,907		978,696
Improvements	12,098,733			12,098,733
Water Treatment Plant	7,715,030			7,715,030
Construction in Progress	17,838,132	1,178,559	(1,646,802)	17,369,889
Water and Sewer System	28,598,039	1,713,482		30,311,521
Machinery & Equipment	4,489,672	218,777	(118,508)	4,589,941
Totals	\$ 74,968,238	\$ 3,132,725	\$ (1,765,310)	\$ 76,335,653
Accumulated Depreciation	(18,317,348)	(1,354,790)	118,508	(19,553,630)
Fixed Assets, Net	\$ 56,650,890	\$ 1,777,935	\$ (1,646,802)	\$ 56,782,023

G. Intangible Asset

On December 3, 2012 the City purchased a 20 year public access to the school facilities from the Lago Vista Independent School District. The easement is being amortized over the contract period (20 years). The unamortized balance as of September 30, 2017 was \$259,936.

H. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$ 29,959,000	\$ 13,410,000	6,967,000	\$ 36,402,000	\$ 1,231,000
Premium on Bonds	1,158,809	630,329	89,539	1,699,599	
Compensated Absences	291,465	22,676		314,141	
Loans Payable	274,593	197,288	102,417	369,464	99,860
Less: Deferred Loss on Refunding Bonds	(297,046)	(80,253)	36,060	(341,239)	
Governmental Activity Long-Term Debt	\$ 31,386,821	\$ 14,180,040	\$ 7,195,016	\$ 38,443,965	\$ 1,330,860
<u>Business-Type Activities</u>					
Loans Payable - Water & Sewer Fund	\$ 339,556	\$ 218,778	\$ 96,402	\$ 461,932	114,081
Capital Leases - Golf Course Fund					
John Deere	114,141		39,893	74,248	40,279
Yamaha	320,558		38,311	282,247	282,247
Business Type Activity Long-Term Debt	\$ 774,255	\$ 218,778	\$ 174,606	\$ 818,427	\$ 436,607
TOTAL ACTIVITIES	\$ 32,161,076	\$ 14,398,818	\$ 7,369,622	\$ 39,262,392	\$ 1,767,467

I. Bonds Payable

A detail of General Long-Term Debt is as follows:

	<u>Balance at 9/30/17</u>	<u>Due within one Year</u>
\$6,515,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 Date of Issue: October 5, 2006 Interest Rate 4.13% Balance, September 30, 2017	\$ 3,925,000	\$ 320,000
\$2,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008 Date of Issue: July 3, 2008 Interest Rate 3.87% Balance, September 30, 2017	1,272,000	95,000
\$2,340,000 General Obligation Refunding Bonds, Series 2009 Date of Issue: August 20, 2009 Interest Rate 3.30% Balance, September 30, 2017	335,000	166,000
\$4,535,000 General Obligation Refunding Bonds, Series 2011 Date of Issue: December 1, 2011 Interest Rate: 2.0% Balance, September 30, 2017	2,935,000	420,000
\$7,655,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 Date of Issue: August 19, 2014 Interest Rate: 2.0-4.50% Balance, September 30, 2017	7,605,000	30,000
\$6,955,000 General Obligation Refunding Bonds, Series 2015 Date of Issue: January 8, 2015 Interest Rate: 2.0-4.0% Balance, September 30, 2017	6,920,000	50,000
\$7,725,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 Date of Issue: March 16, 2017 Interest Rate: 3.0 - 4.0% Balance, September 30, 2017	7,725,000	105,000
\$1,810,000 General Obligation Refunding Bonds, Series 2016A Date of Issue: December 01, 2016 Interest Rate: 2.0-4.0% Balance, September 30, 2017	1,810,000	15,000
\$3,875,000 General Obligation Refunding Bonds, Series 2016B Date of Issue: December 01, 2016 Interest Rate: 1.22-3.739% Balance, September 30, 2017	<u>3,875,000</u>	<u>30,000</u>
<b>TOTAL BONDS PAYABLE</b>	<u><u>\$ 36,402,000</u></u>	<u><u>\$ 1,231,000</u></u>

The annual requirements to amortize the obligation outstanding at September 30, 2017 follow:

General Long-Term Debt

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,231,000	1,063,979	\$ 2,294,979
2019	1,382,000	1,026,105	2,408,105
2020	1,442,000	986,265	2,428,265
2021	1,491,000	944,177	2,435,177
2022	1,531,000	901,269	2,432,269
2023-2027	8,526,000	3,768,337	12,294,337
2028-2032	9,884,000	2,246,009	12,130,009
2033-2037	8,175,000	487,481	8,662,481
2038-2042	1,240,000	416,000	1,656,000
2043-2047	<u>1,500,000</u>	<u>154,456</u>	<u>1,654,456</u>
Totals	<u><u>\$ 36,402,000</u></u>	<u><u>\$ 11,994,078</u></u>	<u><u>\$ 48,396,078</u></u>

J.

Notes Payable

The following is a summary of notes payable:

	Balance at 9/30/17	Due Within One Year
<b>UTILITY FUND</b>		
Security State Bank, secured by 2012 Doosan Lift Truck, original amount \$19,544 payable in quarterly installments of \$1,071 (including interest at 3.5%) through January, 2020	10,189	3,973
Security State Bank, secured by Kubota Utility Vehicle, original amount \$17,695 payable in quarterly installments of \$969 (including interest at 3.5%) through January, 2020	9,498	3,597
Security State Bank, secured by Four Post Lift, original amount \$3,879 payable in quarterly installments of \$213 (including interest at 3.5%) through January, 2020	2,023	789
Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$28,304 payable in quarterly installments of \$1,551 (including interest at 3.5%) through April, 2020	18,159	5,704
Security State Bank, secured by 2016 Ford F250 Truck, original amount \$24,035 payable in quarterly installments of \$1,325 (including interest at 3.75%) through April, 2021	18,444	4,666
Security State Bank, secured by 2016 Ford F250 Truck, original amount \$24,435 payable in quarterly installments of \$1,347 (including interest at 3.75%) through April, 2021	18,752	4,744
Security State Bank, secured by Case 580 Backhoe, original amount \$92,500 payable in quarterly installments of \$5,101 (including interest at 3.75%) through January, 2021	66,495	18,127
Security State Bank, secured by Document Mgmt System, original amount \$28,478 payable in quarterly installments of \$1,570 (including interest at 3.75%) through January, 2021	20,472	5,581
Security State Bank, secured by Virtual Server, original amount \$55,830 payable in quarterly installments of \$3,079 (including interest at 3.75%) through March, 2021	40,146	10,943
Security State Bank, secured by Case SR 270 Skidsteer, original amount \$76,100 payable in quarterly installments of \$4,197 (including interest at 3.75%) through March, 2021	54,723	14,918
Security State Bank, secured by PJ Gooseneck Trailer, original amount \$10,270 payable in quarterly installments of \$566 (including interest at 3.75%) through March, 2022	9,330	1,938
Security State Bank, secured by Scale Cluster, original amount \$12,364 payable in quarterly installments of \$682 (including interest at 3.75%) through March, 2022	11,232	2,334
Security State Bank, secured by Peterbilt Dump Truck, original amount \$37,281 payable in quarterly installments of \$2,056 (including interest at 3.75%) through March, 2022	33,867	7,036
Security State Bank, secured by Peterbilt Dump Truck, original amount \$37,281 payable in quarterly installments of \$2,056 (including interest at 3.75%) through March, 2022	33,867	7,036
Security State Bank, secured by Valve Operator W/ Telescoping Tee, original amount \$7,195 payable in quarterly installments of \$566 (including interest at 3.75%) through May, 2022	6,867	1,345
Security State Bank, secured by 2017 Chevy Silverado, original amount \$11,563 payable in quarterly installments of \$638 (including interest at 3.75%) through April, 2022	11,035	2,161
Security State Bank, secured by 2017 Chevy Silverado, original amount \$11,563 payable in quarterly installments of \$638 (including interest at 3.75%) through April, 2022	11,035	2,161
Security State Bank, secured by 2012 Dodge Ram 4500, original amount \$32,180 payable in quarterly installments of \$1,774 (including interest at 3.75%) through February, 2022	29,224	6,071
Security State Bank, secured by Color Camera System, original amount \$5,495 payable in quarterly installments of \$303 (including interest at 3.75%) through February, 2022	4,990	1,037
Security State Bank, secured by 2017 Chevy Silverado, original amount \$31,675 payable in quarterly installments of \$1,747 (including interest at 3.75%) through September, 2022	31,675	5,885
Security State Bank, secured by (3) 65" LED TV's & Asseccories, original amount \$21,911 payable in quarterly installments of \$2,056 (including interest at 3.75%) through August, 2022	21,911	4,057
<b>TOTAL UTILITY FUND</b>	<b>\$ 461,932</b>	<b>\$ 114,081</b>

	Balance at 9/30/17	Due Within One Year
<b>GOVERNMENTAL FUNDS</b>		
Security State Bank, secured by 2015 Chevrolet Express Van, original amount \$25,565, payable in quarterly installments of \$1,401 (including interest at 3.5%) through August, 2020	15,861	5,107
Security State Bank, secured by Case F50B Tractor & Cutter, original amount \$38,450, payable in quarterly installments of \$2,107 (including interest at 3.5%) through January, 2020	20,046	7,817
Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$23,146, payable in quarterly installments of \$1,268 (including interest at 3.5%) through May, 2020	13,231	4,665
Security State Bank, secured by 2014 Top Hat BP Trailer, original amount \$1,764, payable in quarterly installments of \$97 (including interest at 3.5%) through January, 2020	920	359
Security State Bank, secured by John Deere ATRAK Mower, original amount \$7,363, payable in quarterly installments of \$404 (including interest at 3.5%) through June, 2020	4,206	1,484
Security State Bank, secured by Broyhill Stadium Sprayer, original amount \$6,801, payable in quarterly installments of \$373 (including interest at 3.5%) through May, 2020	3,885	1,371
Security State Bank, secured by 2015 Trim Mower, original amount \$27,083, payable in quarterly installments of \$1,484 (including interest at 3.5%) through May, 2020	15,471	5,459
Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$23,146, payable in quarterly installments of \$1,268 (including interest at 3.5%) through May, 2020	13,239	4,665
Security State Bank, secured by 2015 Ford Explorer Police, original amount \$39,997, payable in quarterly installments of \$2,192 (including interest at 3.5%) through June, 2020	22,847	8,062
Security State Bank, secured by 2015 Ford Explorer Police, original amount \$39,997, payable in quarterly installments of \$2,192 (including interest at 3.5%) through June, 2020	22,847	8,062
Security State Bank, secured by 2015 Ford Explorer Police, original amount \$40,397, payable in quarterly installments of \$2,214 (including interest at 3.5%) through June, 2020	23,075	8,142
Security State Bank, secured by 2016 Ford F150 truck, original amount \$31,427, payable in quarterly installments of \$1,733 (including interest at 3.75%) through February, 2021	22,600	6,159
Security State Bank, secured by Solar Powered School Zone Lights, original amount \$7,800, payable in quarterly installments of \$430 (including interest at 3.75%) through May, 2021	5,965	1,514
Security State Bank, secured by 2017 Ford Explorer, original amount \$44,230 payable in quarterly installments of \$2,439 (including interest at 3.75%) through June, 2022	42,215	8,268
Security State Bank, secured by 2017 Ford Explorer, original amount \$43,830 payable in quarterly installments of \$2,417 (including interest at 3.75%) through June, 2022	41,833	8,194
Security State Bank, secured by 2017 Ford Explorer, original amount \$43,830 payable in quarterly installments of \$2,417 (including interest at 3.75%) through June, 2022	41,833	8,194
Security State Bank, secured by Message Board, original amount \$8,370 payable in quarterly installments of \$461 (including interest at 3.75%) through February, 2022	7,601	1,579
Security State Bank, secured by Message Board, original amount \$8,370 payable in quarterly installments of \$461 (including interest at 3.75%) through February, 2022	7,601	1,579
Security State Bank, secured by Case Double Drum Roller original amount \$48,658, payable in quarterly installments of \$2,683 (including interest at 3.75%) through February, 2022	44,188	9,180
TOTAL GENERAL LONG-TERM DEBT	\$ 369,464	\$ 99,860
TOTAL NOTES PAYABLE	\$ 831,396	\$ 213,941



The annual requirements to amortize the notes outstanding at September 30, 2017 follow:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 213,941	\$ 28,162	\$ 242,103
2019	221,987	20,086	242,073
2020	208,521	11,956	220,477
2021	127,293	5,144	132,437
2022	59,654	1,105	60,759
Totals	<u>\$ 831,396</u>	<u>\$ 66,453</u>	<u>\$ 897,849</u>

K. Capitalized Leases

Capital lease obligations at September 30, 2017, are composed of the following:

	<u>Balance at 9/30/17</u>
Golf Course Fund	
Lease payable to John Deere Financial for Mower; 16 quarterly installments of \$10,223 and 1 final payment of \$26,800 including principal and interest through January 1, 2019; interest at 3.0%	\$ 74,248
Lease payable to Yamaha for Golf Carts; 48 monthly installments of \$4,225 including principal and interest through June 15, 2018; interest at 4.2%	<u>282,247</u>
Total	<u>\$ 356,495</u>

Future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2017:

<u>Year Ended September 30,</u>	<u>Long-Term Obligations</u>
2018	\$ 331,389
2019	<u>34,128</u>
Total Minimum Lease Payments	\$ 365,517
Less Amount Representing Interest	<u>9,022</u>
Present Value of Lease Payments	<u>\$ 356,495</u>

L. Risk Management

The City of Lago Vista is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2017 were \$173,382.

M. Defined Benefit Pension Plan

***Plan Description***

The City of Lago Vista, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2015	Plan Year 2016
Employee Deposit Rate:	6%	6%
Matching Ratio (City to Employee)	2 - 1	2 - 1
Years required for Vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

***Employees covered by benefit terms.***

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	53
Active employees	90
	<hr/>
	173

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lago Vista, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista, Texas were 6.48% and 7.71% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$300,205, and were equal to the required contributions.

**Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.



The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.



	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2015	\$ 8,354,127	\$ 7,739,900	\$ 614,227
Changes for the year:			
Service cost	498,365		498,365
Interest	569,842		569,842
Changes of Benefit Terms			-
Difference between Expected and Actual Experience	43,293		-
Changes in Assumptions	-		-
Contributions - Employer		249,566	(249,566)
Contributions - Employee		231,081	(231,081)
Net investment income		523,318	(523,318)
Benefit Payments, Including Refunds of Employee Contributions	(322,425)	(322,425)	-
Administrative Expense		(5,907)	5,907
Other Changes		(317)	317
	-		-
Net Changes	789,075	675,316	70,466
Balances as of December 31, 2016	\$ 9,143,202	\$ 8,415,216	\$ 727,987

#### Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,997,729	\$ 727,987	\$ (323,556)

#### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$ 491,380.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 26,504	\$ 43,893
Changes of assumptions	-	114,110
Net difference between projected and actual earnings	-	348,056
Contributions made subsequent to measurement date	-	239,932
	<u>\$ 26,504</u>	<u>\$ 745,991</u>

\$239,932 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 170,472
2018	176,396
2019	130,997
2020	1,690
2021	-
Thereafter	-
Total	<u>\$ 479,555</u>

#### N. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected by ordinance to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

#### Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the year ended 2017, 2016 and 2015 were \$8,800, \$8,115 and \$6,795 respectively, which equaled the required contributions each year.

O. Deferred Compensation Plan

The City offers its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. The plan, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

P. Employee Insurance Benefits

All regular full time employees of the city are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the city through TML Group Benefits Risk Pool. The city pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

Q. Interfund Transactions

Interfund balances at September 30, 2017 consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 234,498	\$ 29,697
Debt Service Fund	146,684	
Special Revenue Fund		37,632
Capital Projects Fund		1,458,419
Golf Course Fund		2,497,287
Utility Fund	<u>3,641,853</u>	<u>                    </u>
TOTALS	<u>\$ 4,023,035</u>	<u>\$ 4,023,035</u>



During the year ended September 30, 2017, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	\$ 1,250,000	\$ 962,506
Capital Projects Fund		
Debt Service Fund	455,632	
Golf Course	900,000	
Utility Fund		1,643,126
TOTALS	\$ 2,605,632	\$ 2,605,632

R. Long-Term Debt-Advance Refundings

General Obligation Refunding Bonds – Series 2016A and Series 2016B

During 2017, the City advance refunded Limited Tax Note, Series 2015 (\$1,945,000) and Limited Tax Note, Taxable Series 2015 (\$3,738,000). The bonds were called and were redeemed on February 15, 2017 by purchasing \$5,763,253 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2016A and Series 2016B bonds mature on February 15, in each of the years 2018 through 2037, bearing interest at 1.480 – 3.856%. The refunding bonds resulted in a gross debt service loss of \$2,020,989 and the net present value savings of \$159,007.

General Obligation Refunding Bonds – Series 2015

During 2015, the City advance refunded general obligation refunding bonds – Series 2005 (\$9,960,000). The bonds were called and were redeemed on February 15, 2015 by purchasing \$7,598,093 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2015 bonds mature on February 15, in each of the years 2016 through 2022, bearing interest at 2.16%. The refunding bonds resulted in a gross debt service loss of \$2,386,573 and the net present value savings of \$138,877.

General Obligation Refunding Bonds – Series 2011

During 2012, the City advance refunded a portion of several of the City's obligations with one refunding, general obligation refunding bonds – Series 2011 (\$4,535,000). The various bonds were called and were redeemed on December 1, 2011 by purchasing \$4,612,372 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2011 bonds mature on February 15, in each of the years 2012 through 2023, bearing interest at 2.0% and 3.0%. The refunding bonds resulted in a gross debt service savings of \$351,141 and the net present value savings of \$293,664.

General Obligation Refunding Bonds – Series 2009

During 2009, the City advance refunded a portion of several of the City's obligations with one refunding, general obligation refunding bonds - Series 2009 (\$2,340,000). The various bonds were called and were redeemed on August 20, 2009 by purchasing \$2,305,790 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2009 bonds mature on February 15, in each of the years 2010 through 2019, bearing interest at 3.3%.



S. Negative Unrestricted Net Position

The unrestricted net position for the governmental activities reflects a large negative balance. Since the City finances utility fund improvements with taxes, the assets are reflected in the utility fund while the debt is shown in the governmental activities. This causes a large negative balance for unrestricted net position in the governmental activities as shown below:

Long-term debt used to finance	
utility (enterprise) fund improvements -	\$ (36,402,000)
Unrestricted Net Position	8,940,116
As Reported on Exhibit A-1	<u>\$ (27,461,884)</u>

T. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

U. Cash Flows Statement – Supplemental Disclosures

Since the City is tax exempt, no income tax was paid in 2017 and 2016. The City paid interest in the amount of \$27,763 in 2017 and \$8,540 in 2016.

V. Public Improvement Districts

On May 11, 2012 the City granted a petition to create Tessera on Lake Travis Public Improvement District. The Petitioners proposed the District be managed by the City with, at the option of the City, the assistance of other parties as determined by the City. The costs and expenses of the services of such other parties shall be part of the cost of operating and administering the District. The City will not be obligated to provide any funds to finance construction of authorized improvements. All design and construction costs of authorized improvements will be paid from assessments and from other sources of funds, if any, available to the Petitioners.

On September 11, 2014 Hines Lake Travis Land II Limited Partnership conveyed Phase I assets of Tessera on Lake Travis Public Improvement District to the City. The governmental assets totaled \$12,798,379 in infrastructure, improvements and buildings and the proprietary fund assets (Utility Fund) totaled \$4,949,459 in system improvements. The total assets conveyed were \$17,747,838.

W. Subsequent Events

The City has evaluated subsequent events through April 30, 2018, the date which the financial statements were available to be issued. The City is not aware of any subsequent events that materially impact the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGO VISTA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 2,851,003	\$ 2,851,003	\$ 2,929,600	\$ 78,597
General Sales and Use Taxes	423,720	423,720	443,462	19,742
Franchise Tax	449,290	449,290	418,696	(30,594)
Other Taxes	10,293	10,293	4,922	(5,371)
Licenses and Permits	178,700	178,700	216,466	37,766
Intergovernmental Revenue and Grants	49,392	49,392	37,160	(12,232)
Charges for Services	719,883	720,183	771,748	51,565
Fines	105,600	105,600	92,400	(13,200)
Investment Earnings	6,000	6,120	21,582	15,462
Rents and Royalties	-	-	58,435	58,435
Contributions & Donations from Private Sources	42,000	42,000	35,997	(6,003)
Other Revenue	29,445	29,445	71,697	42,252
Total Revenues	4,865,326	4,865,746	5,102,165	236,419
EXPENDITURES:				
Current:				
Administration	562,424	616,328	528,675	87,653
Non Departmental	201,645	201,645	119,884	81,761
Development Services	599,625	608,814	551,531	57,283
Finance	232,145	239,239	207,464	31,775
Human Resources	97,979	114,213	101,968	12,245
Municipal Court	84,912	112,481	96,805	15,676
City Secretary	115,193	121,300	107,945	13,355
City Attorney	94,182	94,182	-	94,182
Police Department	1,627,597	1,822,189	1,700,002	122,187
Dispatching	334,422	350,077	328,676	21,401
Public Works Streets	790,841	918,547	849,265	69,282
Solid Waste	583,369	583,369	583,340	29
Building Maintenance	50,369	50,369	28,659	21,710
Recreation	98,269	127,716	120,384	7,332
Aviation	54,776	54,777	29,535	25,242
Library	174,244	197,637	182,103	15,534
Culture and Recreation:				
Parks	104,629	103,079	100,926	2,153
Debt Service:				
Principal on Debt	-	4,930	4,930	-
Interest on Debt	-	674	673	1
Total Expenditures	5,806,621	6,321,566	5,642,765	678,801
Excess (Deficiency) of Revenues Over (Under) Expenditures	(941,295)	(1,455,820)	(540,600)	915,220
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	29,207	29,207
Non-Current Loans	-	197,288	197,288	-
Transfers In	1,288,147	1,288,147	1,250,000	(38,147)
Transfers Out (Use)	(280,000)	(900,000)	(962,506)	(62,506)
Total Other Financing Sources (Uses)	1,008,147	585,435	513,989	(71,446)

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change in Fund Balances	66,852	(870,385)	(26,611)	843,774
Fund Balance - October 1 (Beginning)	3,408,941	3,408,941	3,408,941	-
Fund Balance - September 30 (Ending)	<u>\$ 3,475,793</u>	<u>\$ 2,538,556</u>	<u>\$ 3,382,330</u>	<u>\$ 843,774</u>

The notes to the financial statements are an integral part of this statement.



CITY OF LAGO VISTA, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2017

EXHIBIT G-2

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<b>A. Total Pension Liability</b>			
Service Cost	\$ 498,365	\$ 431,114	\$ 362,015
Interest (on the Total Pension Liability)	569,842	527,056	489,774
Changes of Benefit Terms	-0-	-0-	-0-
Difference between Expected and Actual Experience	43,293	20,443	(73,396)
Changes of Assumptions	-0-	212,906	-0-
Benefit Payments, including refunds of employee contributions	(322,425)	(302,417)	(258,266)
Net change in Total Pension Liability	\$ 789,075	\$ 889,102	\$ 520,127
Total Pension Liability - Beginning	8,354,127	7,465,025	6,944,898
Total Pension Liability - Ending	\$ 9,143,202	\$ 8,354,127	\$ 7,465,025
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 249,566	\$ 234,864	\$ 215,450
Contributions - Employee	231,081	212,546	203,575
Net Investment Income	523,318	11,202	402,356
Benefit Payments, including refunds of employee contributions	(322,425)	(302,417)	(258,266)
Administrative Expense	(5,907)	(6,822)	(4,200)
Other	(318)	(337)	(345)
Net Change in Plan Fiduciary Net Position	\$ 675,315	\$ 149,035	\$ 558,570
Plan Fiduciary Net Position - Beginning	7,739,900	7,590,865	7,032,295
Plan Fiduciary Net Position - Ending	\$ 8,415,215	\$ 7,739,900	\$ 7,590,865
<b>C. Net Pension Liability</b>	\$ 727,987	\$ 614,227	\$ (125,840)
<b>D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	92.04%	92.65%	101.69%
<b>E. Covered Employee Payroll</b>	\$ 3,851,351	\$ 3,542,430	\$ 3,392,918
<b>F. Net Pension Liability as a Percentage of Covered Employee Payroll</b>	18.90%	17.34%	(3.71%)

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only three years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAGO VISTA, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2017

EXHIBIT G-3

	2017	2016	2015
Actuarially Determined Contribution	\$ 300,205	\$ 254,860	\$ 235,583
Contributions in Relation to the Actuarially Determined Contributions	(300,205)	(254,860)	(235,583)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 4,042,094	\$ 3,911,628	\$ 3,491,490
Contributions as a Percentage of Covered Employee Payroll	7.43%	6.52%	6.75%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAGO VISTA, TEXAS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2017

**Valuation Date:**

Notes                      Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes                      There were no benefit changes during the year.

**NEFFENDORF & KNOPP, P.C.**  
***Certified Public Accountants***

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MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

April 30, 2018

Honorable Mayor and  
Members of the City Council  
City of Lago Vista, Texas  
Lago Vista, TX 78645

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lago Vista, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.



### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 30, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of City of Lago Vista and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Neffendorf & Knopp, P.C." in a cursive, stylized font.

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas